



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 19, 2006

S. 2694 **Veterans' Choice of Representation and Benefits** **Enhancement Act of 2006**

*As ordered reported by the Senate Committee on Veterans' Affairs
on June 22, 2006*

SUMMARY

S. 2694 would make changes to several programs at the Department of Veterans Affairs (VA), primarily for medical care. CBO estimates that implementing this bill would cost \$186 million in 2007 and almost \$1.1 billion over the 2007-2011 period, assuming appropriation of the necessary amounts. In addition, CBO estimates that enacting this legislation would increase direct spending for veterans programs by less than \$500,000 in 2007, but reduce it by \$6 million over the 2007-2011 period and by \$5 million over the 2007-2016 period.

S. 2694 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. State and tribal governments would benefit from provisions of this bill.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2694 is summarized in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 2694, THE VETERANS' CHOICE OF REPRESENTATION AND BENEFITS ENHANCEMENT ACT OF 2006

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	216	237	238	219	220
Estimated Outlays	186	229	240	219	220
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	*	6	2	-6	-10
Estimated Outlays	*	6	2	-6	-10

NOTE: * = Less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the start of fiscal year 2007 and that the necessary amounts will be appropriated for each year. Most of the legislation's budgetary effects would fall within the discretionary spending category, but a few provisions would affect direct spending.

Spending Subject to Appropriation

S. 2694 would affect VA programs for homeless veterans, nursing home care, readjustment benefits, and burial benefits. CBO estimates that implementing this bill would cost \$186 million in 2007 and almost \$1.1 billion over the 2007-2011 period, assuming appropriation of the necessary amounts (see Table 2).

Medical Care. Titles IV and V of S. 2694 would make several changes to VA programs, primarily for nursing home care and homeless veterans. CBO estimates those provisions would cost about \$1 billion over the 2007-2011 period, assuming appropriation of the necessary amounts.

TABLE 2. CHANGES IN SPENDING SUBJECT TO APPROPRIATION UNDER S. 2694

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
MEDICAL CARE					
Assistance for Homeless Veterans					
Authorization Level	153	158	163	138	138
Estimated Outlays	131	157	161	139	138
State Veterans' Nursing Homes					
Payments and Benefits					
Estimated Authorization Level	58	66	69	70	71
Estimated Outlays	52	62	68	69	71
Pilot Programs to Assist Caregivers of Veterans					
Authorization Level	5	0	0	0	0
Estimated Outlays	3	1	1	0	0
Subtotal-Medical Care					
Estimated Authorization Level	216	224	232	208	209
Estimated Outlays	186	220	230	208	209
READJUSTMENT BENEFITS					
Estimated Authorization Level	0	6	6	11	11
Estimated Outlays	0	6	6	11	11
BURIAL BENEFITS					
Estimated Authorization Level	*	7	0	0	0
Estimated Outlays	*	3	4	0	0
Total Changes in Spending Subject to Appropriations Under S. 2694					
Estimated Authorization Level	216	237	238	219	220
Estimated Outlays	186	229	240	219	220

NOTE: * = Less than \$500,000.

Assistance for Homeless Veterans. Title V would create or extend authorization for several programs intended to assist homeless veterans. These provisions would increase VA spending by about \$130 million in 2007 and \$725 million over the 2007-2011 period, assuming appropriation of the authorized amounts. In addition, section 505 would extend

a mandatory program that allows for the transfer of properties to nonprofit organizations for use as homeless shelters. (CBO's estimate for the cost of this program is discussed below in the "Direct Spending" section.)

Grants for Comprehensive Service Programs. Section 503 would provide VA with permanent authority to give grants to organizations that provide comprehensive service programs for homeless veterans. The prior authorization for this program expired in September of 2005. This section would authorize the appropriation of \$130 million per year. Based on historical spending patterns for this program, CBO estimates that implementing this section would cost \$117 million in 2007 and about \$630 million over the 2007-2011 period.

Assistance to Very-Low-Income Families. Section 511 would require VA to provide financial assistance to organizations that help families of very-low-income veterans who are living in, or about to move in to, permanent housing. This section would authorize appropriations for this program of \$15 million in 2007, \$20 million in 2008, and \$25 million in 2009. CBO expects that it will take at least one year for the program to be established and provide grants. We estimate that implementing this program would cost \$7 million in 2007 and about \$60 million over the 2007-2011 period.

Grants for Special Needs Veterans. Section 506 would reauthorize funding from 2007 through 2011 for a grants program for homeless veterans with special needs, such as women, the elderly, and the mentally ill. (No funding was provided for this program in 2006.) Based on the authorized amount of \$7 million per year, CBO estimates that implementing this section would cost \$6 million in 2007 and about \$34 million over the 2007-2011 period.

Technical Assistance Grants for Service Providers. Section 507 would reauthorize through 2012 a program that provides technical assistance grants for organizations that help homeless veterans. Section 507 would authorize the appropriation of \$1 million per year through 2012. CBO estimates that implementing this section would cost about \$1 million in 2007 and \$5 million over the 2007-2011 period.

State Veterans' Nursing Homes Payments and Benefits. Section 403 would modify VA payments to state-run nursing homes for veterans and the provision of VA benefits to the veterans who are patients in those homes. In total, implementing section 403 would cost \$52 million in 2007 and \$322 million over the 2007-2011 period, assuming appropriation of the necessary amounts.

Increased Payments to State Nursing Homes. Under current law, VA pays state nursing homes for veterans a daily allowance to care for certain veterans. In 2006, that rate is \$63.40 per veteran. Section 403 would require VA to pay state nursing homes for the full

cost of care for veterans who have a service-connected disability rating of 70 percent or more. Based on information from VA and from the National Association of State Veterans Homes, CBO estimates that it costs the states about \$200 a day to care for each veteran and that there are about 1,000 veterans in state homes whose disability ratings are 70 percent or more. Thus, CBO estimates that enacting this provision would cost \$48 million in 2007 and about \$280 million over the 2007-2011 period, assuming appropriation of the necessary amounts. This estimate assumes that the daily cost will rise at an average inflation rate of about 4 percent.

Because the amount VA currently pays the state nursing homes for veterans does not cover the full cost of care, the homes must also collect money from the veterans themselves and, depending on the state, from other federal government sources and the state itself. If the Congress appropriates the full amount necessary to allow VA to pay for the complete costs for these veterans' care, it is likely that there will be a reduction in the amount of Medicaid funds used to cover the costs of care. Based on the current estimated portion of the cost that is paid for by Medicaid funds, CBO estimates that there could be potential savings to the federal government of about \$5 million per year. (Such savings are contingent upon appropriation of the amounts necessary to implement this section.)

Hospital Beds Treated as Nursing Home Beds. Section 403 would also allow VA to treat up to 100 beds found in health facilities such as hospitals as nursing home beds for the purposes of making payments to cover the costs of care for veterans. No new beds could be added to this program after fiscal year 2009. Based on an estimated average cost of care of \$250 per day in 2007, and allowing one year for the program to reach full capacity, CBO estimates that implementing this provision would cost about \$4 million in 2007 and \$40 million over the 2007-2011 period, assuming appropriation of the necessary amounts.

Filling Prescriptions for Veterans in State Nursing Homes. Finally, section 403 would require that VA furnish prescription medicines to veterans with a service-connected disability rating of 50 percent or more who reside in state nursing homes. Under current law, VA can only fill prescriptions for those veterans who are enrolled in the VA medical care system and have prescriptions written by VA doctors. Based on data from VA about the percentage of veterans eligible for this benefit who are already enrolled in their system, CBO estimates that implementing this provision would cost less than \$500,000 per year.

Pilot Program to Assist Caregivers of Veterans. Section 405 would require the Secretary to create a two-year program to provide funds to VA medical facilities to assist those caring for veterans by providing services such as adult daycare programs, transportation services, and hospice care. This section would authorize the spending of not less than \$5 million on the

pilot program. CBO estimates that implementing this provision would cost \$3 million in 2007 and \$5 million over the duration of the program.

Readjustment Benefits. VA is authorized to reimburse agencies that approve courses for veterans' readjustment (education) benefits for certain of the costs they incur in their certification efforts. Those agencies—known as state approving agencies—are offices designated by each state to provide the VA with a list of approved courses provided by educational institutions in their states. Under current law, VA may reimburse the agencies from funds available for the payment of readjustment benefits by a total of \$19 million in both 2006 and 2007, and \$13 million each year thereafter.

Section 303 would increase the amount VA may pay the agencies to \$19 million a year for all years, but would reduce the amount VA could draw for that purpose from funds available for the payment of readjustment benefits to \$8 million a year for 2010 through 2013. VA would be authorized to use funds, subject to the availability of appropriations, to make up the difference between the full amount authorized and the amount that could be paid from funds for readjustment benefits. CBO estimates that implementing this provision would have no cost in 2007 but would cost \$34 million over the 2008-2011 period, assuming appropriation of the estimated amounts. (The effect of this section on readjustment benefits is discussed under the "Direct Spending" section.)

Burial Benefits. Section 201 would allow VA to provide grants to tribal organizations to establish, expand, or improve veterans' cemeteries on trust lands owned by the tribal organizations. Under current law, VA can only provide grant money to states for the purposes of establishing, expanding, or improving a veterans' cemetery. Based on information from VA, state cemetery grants range from \$4 million to \$7 million, depending on the size of the project, with an average time of 24 months to establish a cemetery from design to opening. CBO expects that one such request for a cemetery would be made over the 2007-2011 period, and estimates that implementing section 201 would cost \$7 million over that period, subject to appropriation of the necessary amounts.

Section 202 would require the Secretary of the Army to remove the remains of Russell Wayne Wagner, a convicted murderer, from Arlington National Cemetery and return his remains to his family. Based on information from VA, CBO estimates that implementing section 202 would cost less than \$100,000 in 2007, subject to the availability of appropriated funds.

Direct Spending

S. 2694 contains provisions that would both increase and decrease direct spending for veterans programs. On balance, CBO estimates enacting this legislation would increase direct spending for veterans programs by less than \$500,000 in 2007, but reduce it by \$6 million over the 2007-2011 period and by \$5 million over the 2007-2016 period (see Table 3).

TABLE 3. CHANGES IN DIRECT SPENDING UNDER S. 2694

	Outlays by Fiscal Year, in Millions of Dollars									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
COMPENSATION, PENSIONS, AND BURIAL BENEFITS										
Income Verification Extension	0	0	-5	-9	-13	0	0	0	0	0
Supplemental Service Disabled Veterans Insurance	0	2	3	3	3	2	2	2	2	2
Grave Markers	*	*	*	*	*	*	*	*	*	*
Subtotal-Compensation, Pensions, and Burial Benefits	*	2	-2	-6	-10	2	2	2	2	2
READJUSTMENT BENEFITS										
Accelerated Payments of MGIB	0	3	3	4	4	0	0	0	0	0
Accelerated Payments for Survivors and Dependents	0	1	1	1	1	0	0	0	0	0
State Approving Agencies	<u>0</u>	<u>0</u>	<u>0</u>	<u>-5</u>	<u>-5</u>	<u>-5</u>	<u>-5</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal-Readjustment Benefits	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>-5</u>	<u>-5</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Changes in Direct Spending Under S. 2694	*	6	2	-6	-10	-3	-3	2	2	2

NOTES: MGIB = Montgomery GI Bill.

* = Less than \$500,000.

Compensation, Pensions, and Burial Benefits. Several sections of the bill would affect veterans benefits for disability compensation, pensions, life insurance, and burial benefits.

CBO estimates that implementing these provisions would increase direct spending for veterans programs by less than \$500,000 in 2007, but reduce it by \$14 million over the 2007-2011 period and by \$3 million over the 2007-2016 period.

Income Verification Extension. Section 603 would extend authorities under current law that allow VA to acquire information on income reported to the Internal Revenue Service (IRS) to verify income reported by recipients of VA pension benefits. The authorization allowing the IRS to provide income information to VA will expire on September 30, 2008, as will the authorization allowing VA to acquire the information. Section 603 would extend these authorities through September 30, 2011, for both VA and the IRS. Because current law allows VA and the IRS to conduct income verification through the end of fiscal year 2008, CBO estimates that enacting this provision would provide no savings until fiscal year 2009.

Based on information from VA, CBO estimates that in 2009 VA will make approximately \$5 million in pension benefit overpayments that could be prevented by verifying veterans' incomes. Using that information, CBO estimates that enacting section 603 would result in direct spending savings of \$26 million over the 2009-2011 period.

Supplemental Service Disabled Veterans Insurance (S-DVI). Section 602 would temporarily increase the amount of supplemental S-DVI a veteran may purchase. S-DVI is an insurance program open to veterans who separated from service on or after April 25, 1951, and who have been determined by VA to have a service-connected disability. Under current law, veterans who are eligible for a waiver of S-DVI premiums (totally disabled veterans) are eligible for an additional \$20,000 in S-DVI coverage and they must apply within a year from notice of the grant of waiver. The premiums for supplemental S-DVI cannot be waived. By law, the premiums for S-DVI have been held constant for many years. Since the premiums are no longer sufficient to cover the estimated death claims per year, the federal government now subsidizes the program.

Section 602 would increase the amount of supplemental S-DVI a veteran could purchase from \$20,000 to \$30,000 over the period beginning on October 1, 2007, and ending on September 30, 2011. The amount of supplemental S-DVI that could be purchased would return to \$20,000 after that period. However, veterans who purchased the additional coverage would be able to retain the higher coverage level. Based on information from VA on S-DVI accessions and mortality rates, CBO estimates that the number of veterans holding S-DVI policies will increase from about 15,000 in 2008 to 18,000 in 2011 and then decrease to about 12,000 by 2016, and that about 20 percent of all policy holders would chose to purchase additional coverage over the specified period. CBO estimates that enacting section 602 would increase direct spending for insurance benefits by \$2 million in 2008, \$11 million over the 2008-2011 period, and \$21 million over the 2008-2016 period.

Grave Markers. Section 203 would allow VA to provide a marker or headstone to be placed on a marked grave or other appropriate location in a private cemetery to commemorate a veteran's military service for those veterans who were buried after November 11, 1990. Under current law, veterans buried in a private cemetery are eligible for a second marker or headstone only if they were buried after September 11, 2001.

Section 203 would also indefinitely extend the period during which a marker or headstone could be requested. The authority for VA to provide government headstones or markers to veterans buried in private cemeteries currently expires on December 31, 2006.

Based on VA projections about future deaths and burials in private cemeteries, CBO estimates that about 20,000 requests for headstones or markers would be made over the 2007-2016 period. The estimate also reflects information from a VA study that showed that only 27 percent of private cemeteries allow second markers and that less than 5 percent of those eligible would participate in this program. With an average cost of about \$92 for each marker, CBO estimates that this provision would result in an increase in spending for burial benefits of less than \$500,000 in 2007, \$1 million over the 2007-2011 period, and \$2 million over the 2007-2016 period.

Veterans Readjustment Benefits. S. 2694 contains several provisions that would modify the way veterans education benefits are currently provided. In total, CBO estimates enacting these provisions would not change direct spending for veterans readjustment benefits in 2007, but would increase such spending by \$8 million over the 2008-2011 period, and would decrease such spending by \$2 million over the 2008-2016 period.

Accelerated Payments of MGIB Benefits. Section 301 would expand the range of education programs eligible for accelerated payment of education benefits under the Montgomery GI Bill (MGIB). Under current law, veterans may receive a lump-sum payment equal to 60 percent of the costs for certain courses, if tuition for those courses exceeds twice the benefit that would otherwise be paid. This section would add programs leading to employment in the transportation, construction, hospitality, and energy industries to those in high-technology industries already eligible for such payments, but would limit such expansion to the 2008-2011 period. Based on information from VA about the number of veterans using the current accelerated payment program and the number of veterans training in the transportation, construction, hospitality and energy fields, CBO estimates that this provision would increase direct spending for readjustment benefits by \$14 million over the 2008-2011 period.

Accelerated Payments for Survivors and Dependents. Section 302 would allow survivors and dependents to receive their education benefits using the expanded program of accelerated

payments described above. These beneficiaries, who have not previously been allowed to receive any accelerated payments, would be eligible for such payments from 2008 through 2011. Based on information from the VA about the usage of this program by MGIB beneficiaries, CBO estimates that this provision would increase direct spending for readjustment benefits by \$4 million over the 2008-2011 period.

State Approving Agencies. VA is currently authorized to reimburse the state approving agencies from amounts available for the payment of readjustment benefits. The state approving agencies provide verification that various educational institutions are qualified to provide courses of education so that eligible veterans, survivors, and dependents may receive veterans education benefits while attending those institutions. Section 303 would reduce the amount of such reimbursements that could be provided from funds available for payment of readjustment benefits by \$5 million a year from 2010 through 2013. (This provision also would authorize additional amounts to be paid to the state approving agencies subject to the availability of appropriations, which is discussed under the “Spending Subject to Appropriation” section.) CBO estimates that enacting this provision would reduce direct spending for veterans readjustment benefits by \$20 million over the 2010-2013 period.

Other Provisions. The following provisions would have an insignificant impact on direct spending:

- Section 101 would allow VA to periodically collect fees from individuals recognized as agents or attorneys when representing veterans in benefits cases so as to offset the costs VA incurs in certifying that agents or attorneys are properly qualified. CBO estimates that implementing this provision would have an insignificant net effect on direct spending because it would allow VA to spend the fees collected to defray such costs.
- Section 505 would extend from 2008 through 2011, VA’s authority to sell, lease, or donate foreclosed homes to nonprofit organizations and state or local governments for use as homeless shelters for veterans. The program provides savings to VA by reducing its inventory of foreclosed homes, but those savings are offset by discounts, ranging from 20 percent to 50 percent of the estimated property value (roughly \$90,000), that VA gives to nonprofit organizations. Because of the low volume of homes provided under this program—an average of 10 properties a year over the last few years—CBO estimates this provision would have no significant effect on direct spending for the VA home loan program.
- Section 601 would authorize VA to guarantee loans made to purchase stock or membership in residential cooperatives. According to VA, cooperative housing

projects have unique characteristics such as lack of outright ownership of real property, restrictions on sale of stock or membership, and blanket mortgages (a mortgage that covers the entire cooperative project, rather than an individual borrower), that would, in most instances, either violate VA's underwriting criteria or make them unsuitable for the home loan program. As a result, CBO estimates that very few loans would be guaranteed under this provision.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2694 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. State and tribal governments would benefit from provisions of this bill.

Section 201 would make tribal governments eligible for a current program to establish, expand, or improve veteran cemeteries. Any costs to those governments would be incurred as a condition of participating in a voluntary federal program.

Section 403 would authorize the Secretary of the VA to reimburse the full costs of long-term care for certain veterans in State Veteran Homes. Currently, the VA reimburses about one-third of those costs; one-third of the remaining costs are collected from the veteran, and the rest is reimbursed by Medicaid or state contributions. CBO estimates that state governments could save about \$10 million annually as a result of this provision, assuming that appropriations are provided to fully fund the costs of long-term care.

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